BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

In the Matter of the Application Liberty Utilities (CalPeco Electric) LLC (U 933-E) for Authorization to Issue Evidence of Indebtedness and Other Related Requests.	

APPLICATION OF LIBERTY UTILITIES (CALPECO ELECTRIC) LLC (U 933 E) TO ISSUE EVIDENCE OF LONG-TERM INDEBTEDNESS OF UP TO $500,000,000 THROUGH AN INTERCOMPANY PROMISSORY NOTE, AND TO ENCUMBER UTILITY PROPERTY IN CONNECTION THEREWITH

REQUEST FOR EXPEDITED SCHEDULE

LIBERTY UTILITIES (CALPECO ELECTRIC) LLC

Daniel W. Marsh
Senior Manager, Rates & Regulatory Affairs
Liberty Utilities (CalPeco Electric) LLC
701 National Avenue
Tahoe Vista, CA 96148
Telephone: (530)721-2435
E-mail: dan.marsh@libertyutilities.com

Victor T. Fu
Prospera Law, LLP
1901 Avenue of the Stars, Suite 480
Los Angeles, CA 90067
Telephone: (424) 239-1926
Facsimile: (424) 239-1882
Email: vfu@prosperalaw.com

Dated: October 4, 2024

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

In the Matter of the Application Liberty Utilities (CalPeco Electric) LLC (U 933-E) for Authorization to Issue Evidence of Indebtedness and Other Related Requests.

APPLICATION OF LIBERTY UTILITIES (CALPECO ELECTRIC) LLC (U 933 E) TO ISSUE EVIDENCE OF LONG-TERM INDEBTEDNESS OF UP TO $500,000,000 THROUGH AN INTERCOMPANY PROMISSORY NOTE, AND TO ENCUMBER UTILITY PROPERTY IN CONNECTION THEREWITH

REQUEST FOR EXPEDITED SCHEDULE

I.

SUMMARY OF REQUESTED AUTHORIZATIONS

Pursuant to Sections 817, 818 and 851 of the California Public Utilities Code and Rule 3.5 of the of the California Public Utilities Commission ("Commission") Rules of Practice and Procedure ("Rules"), Liberty Utilities (CalPeco Electric), LLC (U 933 E) ("Liberty" or "Applicant") respectfully requests that the Commission grant Liberty authorization to do the following:

(i) Issue evidence of long-term indebtedness for an aggregate principal amount not to exceed $500 million through intercompany promissory notes or other evidence of indebtedness, for the purposes of rebalancing Liberty's capital structure to 52.50 percent equity and 47.50 percent debt, refinancing Liberty's short-term debt incurred through intercompany borrowings, and funding the construction, completion, extension, or improvement of its facilities.

(ii) Encumber utility property in connection with the intercompany promissory notes or other evidence of indebtedness;

(iii) Provide that authorization be effective upon payment of the fee prescribed in section 1904(b) of the Public Utilities Code; and

(iv) Grant such further, additional and other relief as the Commission may deem to be necessary or proper.

In light of current market conditions, Liberty's need to rebalance its capitalization, Liberty's capital improvement plans as presented in its current General Rate Case proceeding, and financial pressures related to wildfire related claims exceeding insurance coverage limits, Liberty respectfully requests that its Application be acted upon as expeditiously as possible. Further, Liberty requests that the Commission's decision issued in this proceeding state explicitly that the financing authority granted herein has no expiration date or through a date no earlier than December 31, 2027, consistent with the Commission's established practice as reflected in D. 00-12-054 and D. 07-02-014.

II.

BACKGROUND AND BASIS FOR LIBERTY'S REQUEST

A. Corporate Background and Service Territory

Liberty is a limited liability company organized and existing under the laws of the state of California with its principal place of business at 933 Eloise Avenue, South Lake Tahoe, California 96150. Liberty is a wholly-owned subsidiary of Liberty Utilities Co. ("LUCo"). Liberty currently serves approximately 50,000 residential and commercial/industrial customers in California in portions of seven counties around the Lake Tahoe area. The service territory is geographically compact and generally encompasses the western portions of the Lake Tahoe Basin (almost 80% of Liberty's customers are in the Lake Tahoe Basin), extending north to Portola and south to Markleeville.

Liberty's service territory differs greatly from the three major electric utilities' territories in California, as 94% of its service territory is situated in high fire risk areas. The terrain in Liberty's service territory is mountainous and heavily forested, with elevations ranging from 9,050 feet in Squaw Valley to just under 5,000 feet at Portola. Most of Liberty's customers are located at elevations higher than 6,000 feet. Liberty is winter-peaking with peak loads occurring at night, typically during the holiday season, as its electric load within the service territory reflects the economic activities in the Lake Tahoe area. While Liberty has few industrial customers, it has large seasonal and highly variable loads associated with ski resorts and hotel operations. Approximately half of the electricity Liberty delivers is to residential customers, and approximately 60 percent of its residential accounts are second vacation homes or rentals.

On November 17, 2020, a wildfire now known as the Mountain View Fire occurred in Liberty's service territory. The cause of the fire remains under investigation, and CAL FIRE has not yet released its final report. There are currently 22 lawsuits that name certain Liberty and/or its affiliates as defendants in connection with the Mountain View Fire, as well as a non-litigation claim brought by the U.S. Department of Agriculture seeking reimbursement for alleged fire suppression costs and a notice from the U.S. Bureau of Land Management seeking damages for the alleged burning of public lands without authorization. Fifteen of the lawsuits are brought by groups of individual plaintiffs alleging causes of action including negligence, inverse condemnation, nuisance, trespass, and violations of Cal. Pub. Util. Code 2106 and Cal. Health and Safety Code 13007. Liberty has been vigorously defending these actions and holds wildfire liability insurance that is expected to apply up to applicable policy limits. However, the costs associated with the litigation and defense of the foregoing matters has placed significant financial pressure on Liberty's operations and has increased Liberty's need for access to additional capital to help fund needed capital improvements of its facilities.

B. Property

A general description of Liberty's property and its field of operation, the original cost of its property and equipment, by class, and the cost thereof to Liberty and the depreciation and amortization reserves applicable to such property and equipment are contained in Liberty's consolidated financial statements.

C. Financial Information

Financial Statements in accordance with Rule 2.3, including Liberty's latest available consolidated financial statements as of and for the six and twelve months ended June 30, 2024 and

December 31, 2023, respectively that include regulatory account activity and notes concerning Liberty's current capitalization, are attached hereto as Exhibit A and incorporated herein by reference.

As of December 31, 2023, Liberty’s common equity ratio was approximately 93.5%. Liberty does not have any preferred stock; the capital structure consists only of common equity and long-term debt.

Liberty is in compliance with all applicable affiliate transaction rules with regard to its relationships with affiliates and subsidiaries, including but not limited to those enumerated in D.97-12-088 (as modified by D.98-08-035, D.98-12-075, D.99-09002, and D.02-02-046), D.06-12-029, and D.10-10-017.

III.

CATEGORIZATION AND SCHEDULE

Pursuant to Commission Rule 7.1, this Application is a rate setting proceeding, even though it does not set rates, because it does not clearly fit in any other category. Liberty does not believe evidentiary hearings are necessary in this proceeding because it does not anticipate any issues arising from this Application as Liberty’s purposes for issuing the debt covered by this Application are among the approved purposes listed in Section 817 of the California Public Utilities Code. Liberty does not request authority to issue debt to fund specific future capital projects or other purposes listed in Section 817, which might require a determination of reasonableness or necessity for the acquisition, construction or maintenance of utility property.

Liberty is not in danger of becoming over-leveraged as a result of this new debt. The authorization requested herein does not presuppose the reasonableness of the cost of this debt or the resultant capital structure for calculation of Liberty’s rates. The Commission sets the cost of capital and capital structure for Liberty in its General Rate Case (“GRC”) proceedings. Any debt issued pursuant to the authorization sought in this Application will be consistent with the capital structure and debt cost reflected in Liberty’s current GRC filed in September 2024 (assigned A.24.09.010).

As Applications for financing authority have historically been treated on an *ex parte* basis, Liberty respectfully requests that the Commission find that no hearing is necessary, so that the grant of the authorizations sought herein at the earliest possible date will permit Liberty to proceed with its proposed financings in an expeditious manner. Such expeditious treatment will, in turn, allow Liberty to pursue its utility objectives in a more timely and cost-effective manner to the benefit of ratepayers.

Accordingly, Liberty proposes the following schedule:

EVENT	**DATE**
Filing of Application	October 4, 2024
Daily Calendar Notice	October 7, 2024
Deadline for Protest	November 5, 2024
Deadline for Reply to Protest	November 15, 2024
Proposed Decision	February 2025 (Within 90 days of Submission)
Final Decision	April 2025 (Within 60 days of Proposed Decision)

If no protests or responses are filed within 30 days of notices of the Application appearing on the Daily Calendar, Liberty requests that the reply period be eliminated. In the event that the Application is not contested and the Proposed Decision grants the authorizations requested, Liberty requests that the Commission reduce the period for public review and comment on the Proposed Decision pursuant to Commissions Rules of Practice and Procedure, Rule 14.6(c)(2).

IV.

PURPOSES FOR DEBT ISSUANCE/USE OF PROCEEDS

Liberty proposes to use the proceeds authorized pursuant to this Application for the purposes set forth in the subsections (b), (f) and (g) of Section 817 of the California Public Utilities Code. Liberty will use the proceeds that it receives from the debt issuances for (1) the construction, completion, extension, or improvement of its facilities; (2) rebalancing Liberty's capital structure to 52.50 percent equity and 47.50 percent debt as authorized in D. 23-04-045, and (3) refinancing short-term debt incurred through intercompany borrowings by entering into an intercompany promissory note(s) with LUCo. The proceeds from the debt issuances are reasonably required for the purposes outlined above, and, as discussed in the following section, the terms of the financing are the most cost-effective and expeditious way to secure the funds which are not chargeable to operating expenses or income.

As of December 31, 2023, Liberty had $392,461,000 of short-term debt incurred through intercompany borrowings, which it intends to refinance by entering into long-term intercompany promissory notes. As of December 31, 2023, Liberty's equity ratio is approximately 93.5% based on its capital structure of common equity and long-term debt. Liberty developed a four-year projection of cash requirements during the calendar years 2024 through 2027, which is reflected in the pro forma financial statements included in Attachment B.

V.

PROPOSED LONG-TERM DEBT FINANCING

Pursuant to this Application, Liberty requests authority to issue evidence of long-term debt in the aggregate principal amount not to exceed $500,000,000 through the issuance of secured, intercompany promissory notes or other evidence of indebtedness with terms between five (5) to thirty (30) years based on the applicable U.S. Treasury rate effective at the time of the note's issuance. A credit spread will also be included at the time of issuance based on quotations from LUCo's banks reflective of current market conditions and spreads for an external debt issuance. Liberty explored potential financing opportunities through third-party lenders, but the terms offered by LUCo were more attractive than those alternatives. A copy of the form of secured promissory note to be utilized will be provided at a later date when it becomes available as Exhibit D.

Although Liberty is not required to borrow from LUCo, Liberty's financing arrangement with LUCo provides important benefits. Liberty has less access to the capital markets than LUCo, while LUCo is a larger holding company and its securities are issued in transactions of sufficient size to ensure financing obtains the most favorable market rate possible. LUCo can respond quickly to and take advantage of changes in the debt market as an established issuer through the United States 144A market. Through its arrangement with LUCo and based on LUCo's credit ratings, Liberty is better equipped to attract capital for necessary investment and achieve flexibility and savings. Thus, Liberty's arrangement with LUCo, through more favorable financing terms, helps lower the cost of utility services to Liberty's customers.

Additionally, in order to obtain the most favorable terms for the proposed financing, Liberty will be required to provide a security interest and continuing lien on its assets and properties. Liberty maintains that the proposed encumbrances on its property are necessary to facilitate access to the financing terms as detailed above which were more favorable than those offered by external lenders who would impose comparable securitization requirements. Accordingly, pursuant to Section 851 of the Public Utilities Code, Liberty respectfully requests authority to encumber utility property in connection with the proposed financing and find that such encumbrances are reasonable and in the public interest.

VI.

FINANCING RULE

Pursuant to D.12-06-015 issued on June 7, 2012, the Commission adopted a new financing rule (the "New Financing Rule") to replace the Competitive Bidding Rule previously adopted under D. 38614, as amended in D. 49941, D. 75556, and D. 81908 and Commission Resolutions No. F-591 and No. F-616. Among the changes, the New Financing Rule allows utilities to choose whether to issue debt via competitive or negotiated bid, as long as the basis for the method is chosen to achieve the lowest cost of capital; requires utilities with $25 million or more of operating revenues to make every effort to encourage, assist, and recruit Women-, Minority-, Disabled Veteran-Owned Business Enterprises ("WMDVBE") in being appointed as lead underwriter, book runner or co-manager of debt offerings; eliminates the notification and form of communication requirement for the solicitation of bids; has new requirements for the use of debt enhancement features; and provides additional exemptions applicable to use of the New Financing Rule. As required by D.12-06-015, Liberty will provide the periodic reports pursuant to G.O. 24-C to the Commission staff.

Supplier Diversity Program. In compliance with Sections 8281-8286 of the California Public Utilities Code and the Commission's General Order 156, Liberty maintains a supplier diversity program ("SDP") that encourages women-, minority-, disabled veteran-, lesbian-, gay-, bisexual- and transgender-owned enterprises ("WMDVLGBTE") to supply Liberty with needed products and services.

In Liberty's most recent Annual Report on the Utilization of WMDVLGBTE, Liberty reported that 24.03% of its 2023 annual procurement expenditures were awarded to WMDVLGBTE. Liberty continues to educate its employees about SDP and participates in outreach events for WMDVLGBTE. Additional information about Liberty's SDP is provided in testimony submitted with Liberty's 2025 GRC Application filed on September 20, 2024.

Liberty shall use its best efforts to encourage the participation of diverse suppliers in any transaction conducted under the requested authorization in this Application. In addition, where diverse suppliers are unavailable or unqualified to perform the subject services, Liberty will use its best efforts to encourage the secondary use of diverse suppliers by its elected suppliers, within the spirit of its SDP. Liberty will continue its commitment to use its best efforts to encourage the participation of diverse suppliers on any future financings.

VII.

COMMUNICATIONS CONCERNING APPLICATION

Correspondence or communications with regard to this application should be addressed and delivered to:

Daniel W. Marsh
Senior Manager, Rates & Regulatory Affairs
Liberty Utilities (CalPeco Electric) LLC
701 National Avenue
Tahoe Vista, CA 96148
Telephone: (530)721-2435
E-mail: dan.marsh@libertyutilities.com

With Courtesy Copies to:
Victor T. Fu
Prospera Law, LLP
1901 Avenue of the Stars, Suite 480
Los Angeles, California 90067
Telephone (424) 239-1890,
Email: vfu@properalaw.com

Sharon Yang
Senior Director of Legal Services
Liberty Utilities (West Region)
P.O. Box 7002
9750 Washburn Road, Downey, California 90241-7002
Telephone (562) 299-5120
Email: Shaon.Yang@libertyutilities.com

VIII.

EXHIBITS

Exhibit A	Consolidated Financial Statements
Exhibit B	Projected Cash Requirements
Exhibit C	Liberty Utilities (CalPeco Electric) LLC, Articles of Organization
Exhibit D	Form of Secured Promissory Note - To be provided at a later date.

IX.

REQUESTED AUTHORIZATIONS

Liberty respectfully requests that the Commission proceed expeditiously in the approval of this Application because the public interest does not require a hearing on the transactions for which authority is sought hereby, because no useful purpose would be served by such a hearing, and because the delay involved in a hearing would be adverse to the interest of both Liberty and its customers.

WHEREFORE, Liberty prays that this Commission issue its Order granting Liberty authorization to do the following:

(i) Issue long-term debt in the aggregate principal amount not to exceed $500 million through the issuance of promissory notes or other evidence of indebtedness, in one or more financings, for the purposes of rebalancing Liberty's capital structure to 52.50 percent equity and 47.50 percent debt, refinancing Liberty's short-term debt incurred through intercompany borrowings, and funding the construction, completion, extension, or improvement of its facilities.

(ii) Pledge or otherwise encumber utility property in order to secure Liberty's obligations under the promissory notes or other evidence of indebtedness

(iii) Provide that authorization be effective upon payment of the fee prescribed in section 1904(b) of the Public Utilities Code; and

(iv) Grant such further, additional and other relief as the Commission may deem to be necessary or proper.

Dated: October 4, 2024

Respectfully submitted,

LIBERTY UTILITIES (CALPECO ELECTRIC), LLC

/s/ Greg Sorensen

Greg Sorensen
West Region President, Liberty Utilities

VERIFICATION

I, Greg Sorensen, am West Region President of Liberty Utilities and am authorized to make this verification on its behalf. The statements in the foregoing document are true to my own knowledge, except to the matters which are therein stated on information and belief, and as to those matters, I believe them to be true.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on October 4, 2024, in Downey, California.

/s/ Greg Sorensen
Greg Sorensen
West Region President, Liberty Utilities

Exhibit A

Consolidated Financial Statements

Consolidated Financial Statements of

Liberty Utilities (CalPeco Electric) LLC

For the years ended December 31, 2023 and 2022

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Algonquin Power & Utilities Corp.

Opinion

We have audited the financial statements of Liberty Utilities (CalPeco Electric) LLC [the "Company"], which comprise the consolidated balance sheet as at December 31, 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in member's interest, and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and its cash flows for the year ended in accordance with United States generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with United States generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young LLP

Toronto, Canada
April 29, 2024

Chartered Professional Accountants
Licensed Public Accountants

Liberty Utilities (Calpeco Electric) LLC
Consolidated Statements of Comprehensive Income

(thousands of U.S. dollars)	Years ended December 31, 2023	2022
Revenue		
Residential	**$ 87,963**	$ 48,484
Commercial	**70,894**	47,072
Other	**11,302**	11,624
	170,159	107,180
Expenses		
Energy purchased	**38,357**	35,253
Operating costs	**68,916**	31,025
Taxes other than income taxes	**6,089**	4,933
Depreciation of utility plant	**18,317**	15,981
	131,679	87,192
Operating income	**38,480**	19,988
Interest expense	**4,005**	2,882
Pension and post-employment non-service costs (note 6)	**95**	(50)
Loss on disposal	**19**	50
	4,119	2,882
Net earnings	**$ 34,361**	$ 17,106
Net effect of non-controlling interest (note 13)	**(1,324)**	(6,298)
Net earnings attributable to the member	**35,685**	23,404
Other comprehensive income:		
Change in unrealized pension and other post-employment benefits (note 6)	**52**	417
Comprehensive income	**$ 35,737**	$ 23,821

See accompanying notes to consolidated financial statements

Liberty Utilities (Calpeco Electric) LLC
Consolidated Balance Sheets

(thousands of U.S. dollars)	**December 31, 2023**	December 31, 2022
ASSETS		
Utility plant		
Utility plant in service	**$ 633,571**	$ 563,615
Less: accumulated depreciation	**(84,116)**	(72,420)
	549,455	491,195
Construction work-in-progress	**59,789**	37,668
Utility plant, net (note 4)	**609,244**	528,863
Goodwill	**10,381**	10,381
Regulatory assets (note 5)	**181,768**	128,982
Other assets (note 11)	**72,060**	1,131
Current assets		
Cash and cash equivalents	**1,466**	2,083
Supplies and consumables inventory	**13,127**	10,027
Accounts receivable, net (note 3)	**25,577**	20,003
Prepaid expenses and other	**14,911**	10,061
Due from related parties (note 8)	**110,132**	3,881
Regulatory assets (note 5)	**16,807**	16,503
	182,020	62,558
	$ 1,055,473	$ 731,915

See accompanying notes to consolidated financial statements

Liberty Utilities (Calpeco Electric) LLC
Consolidated Balance Sheets

(thousands of U.S dollars)		**December 31, 2023**		December 31, 2022
LIABILITIES AND MEMBER'S EQUITY				
Member's equity				
Member's capital (note 10)	**$**	**135,780**	$	135,780
Accumulated surplus		**231,675**		195,990
Accumulated other comprehensive loss		**154**		102
Total equity		**367,609**		331,872
Redeemable non-controlling interests (note 13)		**1,409**		6,502
Long-term debt (note 7)		**24,947**		24,920
Regulatory liabilities (note 5)		**33,384**		38,356
Pension and other post-employment benefits obligation (note 6)		**1,027**		1,285
Advances in aid of construction (note 9)		**21,808**		20,978
Asset retirement obligation		**811**		765
Other Long Term liabilities (note 11)		**66,000**		—
Current liabilities				
Accounts payable and accrued liabilities		**28,240**		31,175
Customer deposits		**1,878**		391
Regulatory liabilities (note 5)		**5,718**		2,640
Other post-employment benefit obligation (note 6)		**49**		41
Due to related parties (note 8)		**502,593**		272,990
		538,478		307,237
Commitments and contingencies (note 11)				
Subsequent events (note 16)				
	$	**1,055,473**	$	731,915

See accompanying notes to consolidated financial statements

Liberty Utilities (Calpeco Electric) LLC
Consolidated Statements of Changes in Member's Interest

(thousands of U.S. dollars)	Liberty Utilities (Calpeco Electric) LLC Member's capital	Accumulated surplus	Accumulated other comprehensive loss	Non-controlling interests	Total
Balance, December 31, 2021	$ 135,780	$ 172,586	$ (315)	$ —	$ 308,051
Net earnings (loss)	—	23,404	—	(6,298)	17,106
Redeemable non-controlling interests not included in member's equity (note 13)	—	—	—	6,298	6,298
Other comprehensive income (loss)	—	—	417	—	417
Balance, December 31, 2022	$ 135,780	$ 195,990	$ 102	$ —	$ 331,872
Net earnings (loss)	**—**	**35,685**	**—**	**(1,324)**	**34,361**
Redeemable non-controlling interests not included in member's equity (note 13)	**—**	**—**	**—**	**1,324**	**1,324**
Other comprehensive income (loss)	**—**	**—**	**52**	**—**	**52**
Balance, December 31, 2023	**$ 135,780**	**$ 231,675**	**$ 154**	**$ —**	**$ 367,609**

See accompanying notes to consolidated financial statements

Liberty Utilities (Calpeco Electric) LLC
Consolidated Statements of Cash Flow

(thousands of U.S. dollars)

	Years ended December 31, 2023	2022
Cash provided by (used in):		
Operating Activities		
Net earnings	**$ 34,361**	$ 17,106
Items not affecting cash:		
Depreciation and amortization of utility plant	**18,317**	15,981
Cost of equity funds used for construction purposes	**(284)**	(256)
Write down of assets	**(1,240)**	—
Pension and post-employment contributions in excess of expense	**(178)**	(76)
Changes in non-cash operating items (note 12)	**59,476**	25,255
	110,452	58,010
Financing Activities		
Distributions paid to non-controlling interests (note 13)	**—**	(186)
Increase in advances in aid of construction	**729**	554
	729	368
Investing Activities		
Additions to utility plant	**(106,851)**	(56,211)
Increases in other assets	**(4,947)**	(84)
	(111,798)	(56,295)
Increase (decrease) in cash and cash equivalents	**(617)**	2,083
Cash and cash equivalents, beginning of period	**2,083**	—
Cash and cash equivalents, end of period	**$ 1,466**	$ 2,083

Supplemental disclosure of cash flow information:	2023	2022
Cash paid during the year for interest expense (note 7)	**$ 1,397**	$ 1,397
Non-cash transactions: Utility plant in accruals	**$ 6,545**	$ 7,092

See accompanying notes to consolidated financial statements

Liberty Utilities (CalPeco Electric) LLC (the "Company") is a limited liability company organized on April 14, 2009 under the laws of California. The Company is in the business of providing regulated electric distribution service to approximately 50,000 customers in the Lake Tahoe region of California.

The Company is 100% owned by Liberty Utilities Co. ("Liberty Utilities").

1. Significant accounting policies

(a) Basis of preparation

The accompanying consolidated financial statements and notes have been prepared in accordance with generally accepted accounting principles in the United States.

(b) Basis of consolidation

The accompanying consolidated financial statements of the Company include the accounts of the Company and its wholly owned subsidiaries, Liberty Utilities (Luning Holdings) LLC and Liberty Utilities (Turquoise Holdings) LLC. Intercompany transactions and balances have been eliminated. Interests in subsidiaries owned by third parties are included in non-controlling interests (note 1(l)).

(c) Business combinations and goodwill

The Company accounts for acquisitions of entities or assets that meet the definition of a business as business combinations. Business combinations are accounted for using the acquisition method. Assets acquired and liabilities assumed are measured at their fair value at the acquisition date. Acquisition costs are expensed in the period incurred. When the set of activities does not represent a business, the transaction is accounted for as an asset acquisition and includes acquisition costs. Goodwill represents the excess of the purchase price of an acquired business over the fair value of the net assets acquired. Goodwill is not included in the rate-base on which the utility is allowed to earn a return and is not amortized.

As at September 30 of each year, the Company assesses qualitative and quantitative factors to determine whether it is more likely than not that the fair value of a reporting unit to which goodwill is attributed is less than its carrying amount. If it is more likely than not that a reporting unit's fair value is less than its carrying amount or if a quantitative assessment is elected, the Company calculates the fair value of the reporting unit. If the carrying amount of the reporting unit as a whole exceeds the reporting unit's fair value, an impairment charge is recorded in an amount of that excess, limited to the total amount of goodwill allocated to that reporting unit. Goodwill is tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

(d) Accounting for rate-regulated operations

The Company is subject to rate regulation overseen by the public utility commission in California (the "Regulator"). The Regulator provides the final determination of the rates charged to customers. The company is accounted for under the principles of U.S. Financial Accounting Standards Board ("FASB") ASC Topic 980, Regulated Operations ("ASC 980"). Under ASC 980, regulatory assets and liabilities are recorded to the extent that they represent probable future revenue or expenses associated with certain charges or credits that will be recovered from or refunded to customers through the rate making process. Included in note 4, "Regulatory matters" are details of regulatory assets and liabilities, and their current regulatory treatment.

In the event the Company determines that its net regulatory assets are not probable of recovery, it would no longer apply the principles of the current accounting guidance for rate regulated enterprises and would be required to record an after-tax, non-cash charge or credit against earnings for any remaining regulatory assets or liabilities. The impact could be material to the Company's reported financial condition and results of operations.

The Company's accounts are maintained in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission ("FERC").

1. Significant accounting policies (continued)

(e) Cash and cash equivalents

Cash and cash equivalents include all highly liquid instruments with an original maturity of three months or less.

(f) Accounts receivable

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The Company maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable portfolio. In establishing the required allowance, management considers historical losses adjusted to take into account current market conditions and customers' financial condition, the amount of receivables in dispute, future economic conditions and outlook, and the receivables aging and current payment patterns. Account balances are charged against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance sheet credit exposure related to its customers.

(g) Supplies and consumables inventory

Supplies and consumables inventory (other than capital spares and rotatable spares, which are included in utility plant) are charged to inventory when purchased and then capitalized to plant or expensed, as appropriate, when installed, used or upon becoming obsolete. These items are stated at the lower of cost and net realizable value. Through rate orders and the regulatory environment, capitalized construction jobs are recovered through rate base and repair and maintenance expenses are recovered through a cost of service calculation. Accordingly, the cost usually reflects the net realizable value.

(h) Utility plant

Utility plant of the Company consists of solar generation assets and electricity distribution assets used to generate and distribute electricity within a specific geographic service territory to supply end users with electricity. These assets include solar panels, inverters, poles, towers and fixtures, low-voltage wires, transformers, overhead and underground conductors, street lighting, meters, metering equipment and other related equipment.

The costs of acquiring or constructing plant include the following: materials, labor, contractor and professional services, construction overhead directly attributable to the capital project (where applicable) and allowance for funds used during construction ("AFUDC"). Where possible, individual components are recorded and depreciated separately in the books and records of the Company. Plant under finance leases are initially recorded at cost determined as the present value of lease payments to be made over the lease term.

AFUDC represents the cost of borrowed funds and a return on other funds. Under ASC 980, an allowance for funds used during construction projects that are included in rate base is capitalized. This allowance is designed to enable a utility to capitalize financing costs during periods of construction of property subject to rate regulation. The AFUDC capitalized that relates to equity funds is recorded as other income on the consolidated statements of comprehensive income.

	2023	2022
AFUDC capitalized on regulated property:		
Allowance for borrowed funds	**$ 128**	$ 212
Allowance for equity funds	**284**	256
	$ 412	$ 468

Improvements that increase or prolong the service life or capacity of an asset are capitalized. Maintenance and repair costs are expensed as incurred.

(in thousands of U.S. dollars)

1. Significant accounting policies (continued)

(h) Utility plant (continued)

Contributions in aid of construction represent amounts contributed by customers, governments and developers to assist with the funding of some or all of the cost of utility capital assets. They also includes amounts initially recorded as advances in aid of construction (note 9) but where the advance repayment period has expired. These contributions are recorded as a reduction in the cost of utility assets and are amortized at the rate of the related asset as a reduction to depreciation expense.

The Company's depreciation is based on the estimated useful lives of the depreciable assets in each category and is determined using the straight-line method. The ranges of estimated useful lives and the weighted average useful lives are summarized below:

	Range of useful lives		**Weighted average useful lives**	
	2023	2022	**2023**	2022
Plant	**10-179**	11-179	**47**	47
Equipment, office furniture and improvements	**15-25**	15-52	**18**	18

In accordance with regulator-approved accounting policies, when depreciable plant is replaced or retired, the original cost plus any removal costs incurred (net of salvage) are charged to accumulated depreciation with no gain or loss reflected in results of operations. Gains and losses will be charged to results of operations in the future through adjustments to depreciation expense.

(i) Impairment of long-lived assets

The Company reviews utility plant and intangible assets for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Recoverability of assets expected to be held and used is measured by comparing the carrying amount of an asset to undiscounted expected future cash flows. If the carrying amount exceeds the recoverable amount, the asset is written down to its fair value.

(j) Pension and other post-employment plans

The Company has established defined contribution pension plans, defined benefit pension plans, and other post-employment benefit ("OPEB") plans for its various employee groups. Employer contributions to the defined contribution pension plans are expensed as employees render service. The Company recognizes the funded status of its defined benefit pension plans and OPEB plans on the consolidated balance sheets. The Company's expense and liabilities are determined by actuarial valuations, using assumptions that are evaluated annually as of December 31, including discount rates, mortality, assumed rates of return, compensation increases, turnover rates and healthcare cost trend rates. The impact of modifications to those assumptions and modifications to prior services are recorded as actuarial gains and losses in accumulated other comprehensive income (loss) ("AOCI") and amortized to net periodic cost over future periods using the corridor method. When settlements of the Company's pension plans occur, the Company recognizes associated gains or losses immediately in earnings if the cost of all settlements during the year is greater than the sum of the service cost and interest cost components of the pension plan for the year. The amount recognized is a pro rata portion of the gains and losses in AOCI equal to the percentage reduction in the projected benefit obligation as a result of the settlement. The costs of the Company's pension for employees are expensed over the periods during which employees render service and are recognized as part of operating costs in the consolidated statements of comprehensive income.

The components of net periodic benefit cost other than the service cost component are included in pension and other post-employment non-service costs in the consolidated statements of comprehensive income.

1. Significant accounting policies (continued)

(k) Leases

The Company accounts for leases in accordance with ASC Topic 842, Leases ("ASC 842").

The Company leases office equipment for use in its day-to-day operations. The Company has options to extend the lease term of many of its lease agreements, with renewal periods ranging from one to five years. As at the consolidated balance sheet date, the Company is not reasonably certain that these renewal options will be exercised.

The right-of-use assets are included in plant while lease liabilities are included in operating leases on the consolidated balance sheets. The discount rates used in the measurement of the Company's right-of-use assets and liabilities are the discount rates at the date of lease inception. The Company's lease balances as at December 31, 2022 and its expected lease payments for the next five years and thereafter are not significant.

(l) Non-controlling interests

Non-controlling interests represent the portion of equity ownership in subsidiaries that is not attributable to the equity holders of the Company. Non-controlling interests are initially recorded at fair value and subsequently adjusted for the proportionate share of earnings and other comprehensive income (loss) (“OCI”) attributable to the non-controlling interests and any dividends or distributions paid to the non-controlling interests.

Two subsidiaries of the Company have non-controlling Class A equity investors (“Class A Interest”) which are entitled to allocations of earnings, tax attributes and cash flows in accordance with contractual agreements. The partnership agreements have liquidation rights and priorities that are different from the underlying percentage ownership interests. In such situation, simply applying the percentage ownership interest to U.S. GAAP net income in order to determine earnings or losses would not accurately represent the income allocation and cash flow distributions that will ultimately be received by the investors. As such, the share of earnings attributable to the non-controlling interest holders in these entities is calculated using the Hypothetical Liquidation at Book Value (“HLBV”) method of accounting (note 13).

The HLBV method uses a balance sheet approach. A calculation is prepared at each balance sheet date to determine the amount that Class A Equity Investors would receive if an equity investment entity were to liquidate all of its assets and distribute that cash to the investors based on the contractually defined liquidation priorities. The difference between the calculated liquidation distribution amounts at the beginning and the end of the reporting period is the Class A Equity Investors' share of the earnings or losses from the investment for that period.

Equity instruments subject to redemption upon the occurrence of uncertain events not solely within the Company's control are classified as temporary equity and presented as redeemable non-controlling interests on the consolidated balance sheets (note 13). The Company records temporary equity at issuance based on cash received less any transaction costs. As needed, the Company reevaluates the classification of its redeemable instruments, as well as the probability of redemption. If the redemption amount is probable or currently redeemable, the Company records the instruments at their redemption value. Increases or decreases in the carrying amount of a redeemable instrument are recorded within deficit. When the redemption feature lapses or other events cause the classification of an equity instrument as temporary equity to be no longer required, the existing carrying amount of the equity instrument is reclassified to permanent equity at the date of the event that caused the reclassification.

1. Significant accounting policies (continued)

(m) Revenue Recognition

Revenue are recognized when control of the promised goods or services is transferred to the Company's customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

Revenue related to utility electricity distribution is recognized over time as the energy is delivered. At the end of each month, the electricity delivered to the customers from the date of their last meter read to the end of the month is estimated and the corresponding unbilled revenue is recorded. These estimates of unbilled revenue and sales are based on the ratio of billable days versus unbilled days, amount of electricity procured during that month, historical customer class usage patterns, weather, line loss, and current tariffs. Unbilled receivables are typically billed within the next month. Some customers elect to pay their bill on an equal monthly plan. As a result, in some months cash is received in advance of the delivery of electricity. Deferred revenue is recorded for that amount. The amount of revenue recognized in the period from the balance of deferred revenue is not significant.

On occasion, the utility is permitted to implement new rates that have not been formally approved by the regulatory commission, which are subject to refund. The Company recognizes revenue based on the interim rate and if needed, establishes a reserve for amounts that could be refunded based on experience for the jurisdiction in which the rates were implemented.

The Company's revenue is subject to alternative revenue programs approved by its Regulator, which require to charge approved annual delivery revenue on a systematic basis over the fiscal year. As a result, the difference between delivery revenue calculated based on metered consumption and approved delivery revenue is disclosed as alternative revenue and is recorded as a regulatory asset or liability to reflect future recovery or refund, respectively, from customers (note 3). The amount subsequently billed to customers is recorded as a recovery of the regulatory asset. The Company's revenues include $1,838 (2022 - $2,932) related to alternative revenue programs for the year ended December 31, 2023.

(n) Income taxes

The Company is a limited liability company and is a disregarded entity for income tax purposes. Accordingly, it is not subject to federal income taxes or state income taxes. The tax on the Company's net earnings is borne by the member through the allocation of taxable income. Net earnings for financial statement purposes may differ significantly from taxable income of the member because of differences between the tax basis and financial reporting basis of assets and liabilities and the taxable income allocation requirements under the operating agreement. The aggregate difference in the basis of the net assets for financial and tax reporting purposes cannot be readily determined because it is based on the information regarding the member's tax attribute.

(o) Financial instruments and derivatives

Accounts receivable and notes receivable are measured at amortized cost. Long-term debt is measured at amortized cost using the effective interest method, adjusted for the amortization or accretion of premiums or discounts.

Transaction costs related to a recognized debt liability are presented in the consolidated balance sheets as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts and premiums. Deferred financing costs, premiums and discounts on long-term debt are amortized on a straight-line basis over the term of the financial liability as required by the Regulator.

The Company, enters into power purchase contracts for load serving requirements. These contracts meet the exemption for normal purchase and normal sales and as such, are not required to be recorded at fair value as derivatives and are accounted for on an accrual basis. Counterparties are evaluated on an ongoing basis for non-performance risk to ensure it does not impact the conclusion with respect to this exemption.

1. Significant accounting policies (continued)

(p) Fair value measurements

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 Inputs: other than quoted prices included in level 1, inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Inputs: unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

(q) Commitments and contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

(r) Use of estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of these consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. During the years presented, management has made a number of estimates and valuation assumptions, including the useful lives and recoverability of utility plant and goodwill; assessments of unbilled revenue; pension and OPEB obligations; timing effect of regulated assets and liabilities; and the fair value of assets and liabilities acquired in an asset acquisition. These estimates and valuation assumptions are based on present conditions and management's planned course of action, as well as assumptions about future business and economic conditions. Should the underlying valuation assumptions and estimates change, the recorded amounts could change by a material amount.

2. Recently issued accounting pronouncements

Recently issued accounting guidance not yet adopted

The FASB issued ASU 2023-02, Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method — A Consensus of the Emerging Issues Task Force, which permits a reporting entity, if certain conditions are met, to elect to account for its tax equity investments by using the proportional amortization method regardless of the program from which it receives income tax credits. The amendments in this update are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently assessing the applicability and potential impact of the new guidance.

The FASB issued ASU 2023-05, Joint Venture Formations: Recognition and Initial Measurement, which requires a joint venture to recognize and initially measure its assets and liabilities at fair value as at the joint venture formation date. The amendments in this update are effective prospectively for all joint venture formations with a formation date on or after January 1, 2025. Additionally, a joint venture formed before January 1, 2025 may elect to apply the amendments retrospectively if it has sufficient information. Early adoption is permitted. The Company is currently assessing the applicability and potential impact of the new guidance.

(in thousands of U.S. dollars)

2. Recently issued accounting pronouncements (continued)

The FASB issued ASU 2023-09, Income Taxes: Improvement to Income Tax Disclosures, which requires a reporting entity to disclose additional income tax information primarily related to the rate reconciliation and income taxes paid information. The amendments in this update are effective prospectively for annual periods beginning on December 15, 2024. Early adoption is permitted. The Company is currently assessing the relevant disclosure.

3. Accounts receivable

Accounts receivable as of December 31, 2023, includes unbilled revenue of $9,568 (December 31, 2022 - $7,110). Accounts receivable as of December 31, 2023 are presented net of allowance for doubtful accounts of $814 (December 31, 2022 - $704).

4. Utility plant

Utility plant of the Company consists of solar generation assets and electricity distribution assets used to generate and distribute electricity within a specific geographic service territory to supply end users with electricity. These assets include solar panels, inverters, poles, towers and fixtures, low-voltage wires, transformers, overhead and underground conductors, street lighting, meters, metering equipment and other related equipment.

	2023	2022
Land and land rights	**$ 3,878**	$ 3,878
Plant	**600,349**	531,499
Equipment, office furniture and improvements	**29,344**	28,238
	633,571	563,615
Accumulated depreciation	**(84,116)**	(72,420)
	549,455	491,195
Construction work-in-progress	**59,789**	37,668
Net utility plant	**$ 609,244**	$ 528,863

5. Regulatory matters

The Company is subject to rate regulation by the California Public Utilities Commission ("CPUC"), and the FERC in some instances. The CPUC has jurisdiction with respect to rate, service, accounting procedures, issuance of securities, acquisitions and other matters. The Company operates under cost-of-service regulation as administered by the CPUC. The Company uses a test year in the establishment of its rates and pursuant to this method, the determination of the rate of return on approved rate base and deemed capital structure, together with all reasonable and prudent costs, establishes the revenue requirement upon which the Company's customer rates are determined.

The Company is accounted for under the principles of ASC 980. Under ASC 980, regulatory assets and liabilities that would not be recorded under U.S. GAAP for non-regulated entities are recorded to the extent that they represent probable future revenue or expenses associated with certain charges or credits that will be recovered from or refunded to customers through the rate-setting process.

The Company is required to file a rate case with its regulator on a regular three- year cycle. Rate cases seek to ensure that the Company has the opportunity to recover its operating costs and earn a fair and reasonable return on its capital investment as allowed by the regulatory authority under which the Company operates.

Revenue decoupling and vegetation management

The Company's revenue is subject to a decoupling mechanism that decouples base revenue from fluctuations caused by weather and economic factors.

Post Test Year Adjustment Mechanism ("PTAM")

The PTAM allows the Company to update its rates annually by a cost inflation index. In addition, rates are allowed to be updated to recover the return on investment and associated depreciation of major capital projects.

(in thousands of U.S. dollars)

5. Regulatory matters (continued)

Renewables Portfolio Standard

The Company is required to satisfy the current 33% California Renewables Portfolio Standard requirement. The 33% California Renewables Portfolio Standard is currently met through deliveries under a power purchase agreement that is structured in a manner which satisfies the CPUC resource adequacy (“RA”) requirements, and is designed to enable the California Utility to comply with the associated RA reporting requirements, and from energy production at Luning Energy LLC (the "Luning Solar project") and Turquoise Liberty ProjectCo LLC (the "Turquoise Solar project").

Regulatory assets and liabilities consist of the following:

	December 31, 2023	December 31, 2022
Regulatory assets		
Rate adjustment mechanism (a)	**$ 71,632**	$ 37,763
Wildfire mitigation and vegetation management (b)	**63,656**	66,156
Storm costs (c)	**9,986**	5,002
Rate review costs (d)	**1,082**	962
Energy cost adjustment clause (e)	**45,118**	28,708
Other	**7,101**	6,894
Total regulatory assets	**$ 198,575**	$ 145,485
Less: current regulatory assets	**(16,807)**	(16,503)
Non-current regulatory assets	**$ 181,768**	$ 128,982
Regulatory liabilities		
Cost of removal (f)	**$ 27,624**	$ 28,020
Income taxes (g)	**3,990**	4,097
Other	**7,488**	8,879
Total regulatory liabilities	**$ 39,102**	$ 40,996
Less: current regulatory liabilities	**(5,718)**	(2,640)
Non-current regulatory liabilities	**$ 33,384**	$ 38,356

(a) Rate adjustment mechanism

The Company is subject to a revenue decoupling mechanism approved by the Regulator, which requires charging approved annual delivery revenues on a systematic basis over the fiscal year. As a result, the difference between delivery revenue calculated based on metered consumption and approved delivery revenue is recorded as a regulatory asset or liability to reflect future recovery or refund, respectively, from customers.

(b) Wildfire mitigation and vegetation management

The regulatory asset for vegetation management includes wildfire insurance in the Company's California operations as well as spending related to dead trees program, to prevent future forest fires and general vegetation management.

5. Regulatory matters (continued)

(c) Storm costs

Incurred repair costs resulting from certain storms over or under amounts collected from customers, which are expected to be recovered or refunded through rates.

(d) Rate review costs

The costs to file, prosecute and defend rate review applications are referred to as rate review costs. These costs are capitalized and amortized over the period of rate recovery granted by the CPUC. The Company does not earn a return on these amounts but receives recovery of these costs in rates over the periods prescribed by the Regulator (three years).

(e) Energy cost adjustment clause ("ECAC")

ECAC is designed to recover the cost of electricity through rates charged to customers. Under deferred energy accounting, to the extent actual purchased power costs differ from purchased power costs recoverable through current rates, that difference is not recorded on the consolidated statements of comprehensive income but rather is deferred and recorded as a regulatory asset or liability on the consolidated balance sheets. These differences are reflected in adjustments to rates and recorded as an adjustment to cost of electricity in future periods, subject to regulatory review.

(f) Cost of removal

The regulatory liability for cost of removal represents amounts that have been collected from rate payers for costs that are expected to be incurred in the future to retire utility plant.

(g) Income taxes

As a result of the *Tax Act* being enacted in 2017, CPUC is contemplating the rate-making implications of the reduction of federal tax rates from the legacy 35% tax rate and the new 21% federal statutory income tax rate effective January 2018. The regulatory liability reflects the excess deferred taxes of the members normally reflected in the revenue requirement and probable of being refunded to customers. The Company is working with CPUC to identify the most appropriate way to address the impact of the *Tax Act* on cost of service based rates.

As recovery of regulatory assets is subject to regulatory approval, if there were any changes in regulatory positions that indicate recovery is not probable, the related cost would be charged to earnings in the period of such determination.

6. Pension and other post-employment benefits obligation

The Company provides defined contribution pension plans to substantially all of its employees. The Company's contributions for 2023 were $738 (2022 - $558).

The Company provides a defined benefit cash balance pension plan covering substantially all its employees, under which employees are credited with a percentage of base pay plus a prescribed interest rate credit. The Company also has an OPEB plan providing health care and life insurance coverage to eligible retired employees. Eligibility is based on age and length of service requirements and, in most cases, retirees must cover a portion of the cost of their coverage.

(in thousands of U.S. dollars)

6. Pension and other post-employment benefits obligation (continued)

(a) Net pension and OPEB obligation

The following table sets forth the projected benefit obligations, fair value of plan assets, and funded status of the Company's plans as of December 31:

	Pension benefits		OPEB	
	2023	**2022**	**2023**	**2022**
Change in projected benefit obligation				
Projected benefit obligation, beginning of year	**$ 5,767**	$ 6,276	**$ 1,131**	$ 1,506
Service cost	**648**	722	**29**	68
Interest cost	**338**	188	**58**	45
Actuarial loss (gain)	**403**	(914)	**(151)**	(514)
Transfers	**30**	(26)	**—**	26
Benefits paid	**—**	(479)	**—**	—
Projected benefit obligation, end of year	**$ 7,186**	$ 5,767	**$ 1,067**	$ 1,131
Change in plan assets				
Fair value of plan assets, beginning of year	**5,572**	6,051	**—**	—
Actual return on plan assets	**626**	(842)	**—**	—
Employer contributions	**950**	868	**—**	—
Transfers	**30**	(26)		
Benefits paid	**—**	(479)	**—**	—
Fair value of plan assets, end of year	**$ 7,178**	$ 5,572	**$ —**	$ —
Unfunded status	**$ 8**	$ 195	**$ 1,067**	$ 1,131
Amounts recognized in the consolidated balance sheets consist of:				
Current liabilities	**—**	—	**(48)**	(41)
Non-current liabilities	**(8)**	(195)	**(1,019)**	(1,090)
Net amount recognized	**$ (8)**	$ (195)	**$ (1,067)**	$ (1,131)

The accumulated benefit obligation for the pension plans was $5,819 and $5,136 as of December 31, 2023 and 2022, respectively.

(in thousands of U.S. dollars)

6. Pension and other post-employment benefits (continued)

(b) Pension and OPEB actuarial changes

The amounts recognized in AOCI were as follows:

Change in AOCI (before tax)	**Pension**		**OPEB**	
	Actuarial losses (gains)	**Past service gains**	**Actuarial losses (gains)**	**Past service gains**
Balance, January 1, 2022	$ 524	$ (95)	$ (296)	$ —
Additions to AOCI	204	—	(514)	—
Amortization in current period	(28)	17	19	26
Balance, December 31, 2022	$ 700	$ (78)	$ (791)	$ 26
Additions to AOCI	**26**	**—**	**(151)**	**—**
Amortization in current period	**(31)**	**17**	**71**	**(3)**
Balance, December 31, 2023	**$ 695**	**$ (61)**	**$ (871)**	**$ 23**

(c) Assumptions

Assumptions used to determine net benefit cost for 2023 and 2022 were as follows:

	Pension benefits		**OPEB**	
	2023	**2022**	**2023**	**2022**
Discount rate	**5.52 %**	2.74 %	**5.55 %**	3.02 %
Expected return on assets	**5.50 %**	5.50 %	**N/A**	N/A
Rate of compensation increase	**4.00 %**	4.00 %	**N/A**	N/A
Health care cost trend rate				
Before age 65			**6.00 %**	5.88 %
Age 65 and after			**6.00 %**	5.88 %
Assumed Ultimate Medical Inflation Rate			**4.75 %**	4.75 %
Year in which Ultimate Rate is reached			**2033**	2031

(in thousands of U.S. dollars)

6. Pension and other post-employment benefits (continued)

(c) Assumptions (continued)

Assumptions used to determine benefit obligation for 2023 and 2022 were as follows:

	Pension benefits		OPEB	
	2023	**2022**	**2023**	**2022**
Discount rate	**5.27%**	5.52%	**5.25%**	5.55%
Rate of compensation increase	**6.00%**	4.00%	**N/A**	N/A
Health care cost trend rate				
Before age 65			**7.000%**	6.000%
Age 65 and after			**6.000%**	6.000%
Assumed Ultimate Medical Inflation Rate			**4.50%**	4.75%
Year in which Ultimate Rate is reached			**2034**	2033

The mortality improvement projection scale was updated to Scale MP-2023 (adjusted to reflect the ultimate improvement rates contained in the 2023 SSA Intermediate assumptions) from Scale MP-2021 (adjusted to reflect the ultimate improvement rates contained in the 2022 SSA Intermediate assumptions) in order to reflect the most recent mortality assumptions published by the Society of Actuaries and Social Security Administration.

In selecting an assumed discount rate, the Company uses a modeling process that involves selecting a portfolio of high-quality corporate debt issuances (AA- or better) whose cash flows (via coupons or maturities) match the timing and amount of the Company's expected future benefit payments. The Company considers the results of this modeling process, as well as overall rates of return on high-quality corporate bonds and changes in such rates over time, to determine its assumed discount rate. The rate of return assumptions are based on projected long-term market returns for the various asset classes in which the plans are invested, weighted by the target asset allocations.

(d) Benefit costs

The following table lists the components of net benefit cost for the pension plans and OPEB recorded as part of operating expenses in the consolidated statements of comprehensive income.

	Pension benefits		OPEB	
	2023	**2022**	**2023**	**2022**
Service cost	**$ 648**	$ 722	**$ 29**	$ 68
Non-service costs				
Interest cost	**338**	188	**58**	45
Expected return on plan assets	**(247)**	(275)	**—**	—
Amortization of net actuarial loss (gain)	**(17)**	(17)	**(71)**	(19)
Amortization of prior service credits	**31**	28	**3**	—
	105	(76)	**(10)**	26
Net benefit cost	**$ 753**	$ 646	**$ 19**	$ 94

(in thousands of U.S. dollars)

6. Pension and other post-employment benefits (continued)

(e) Plan assets

The Company's investment strategy for its pension and post-employment plan assets is to maintain a diversified portfolio of assets with the primary goal of meeting long-term cash requirements as they become due.

The Company's target asset allocation is 50% in equity securities and 50% in debt securities.

The fair values of investments as of December 31, 2023, by asset category, are as follows

Asset class	Level 1	Percentage
Equity securities	$ 3,898	54 %
Debt securities	2,520	35 %
Other	760	11 %
	$ 7,178	100 %

As at December 31, 2023, the funds do not hold any material investments in the parent company of Liberty Utilities, Algonquin Power and Utilities Corp.

(f) Cash flows

The Company expects to contribute $1,165 to its pension plans and $49 to its post-employment benefit plans in 2024.

The expected benefit payments over the next 10 years are as follows:

	2023	2024	2025	2026	2027	2028	2029-2033
Pension plan	$ 547	$ 360	$ 469	$ 355	$ 371	$ 425	$ 3183
OPEB	41	49	57	61	63	65	323

7. Long-term debt

Due to related parties represents advances for current operating costs and reimbursement for management and accounting services provided by entities related to Liberty Utilities as well as other third party costs incurred by entities related to Liberty Utilities on behalf of the Company.

The Company has $25,000 note bearing an interest rate of 5.59% and maturing on December 29, 2025. The note has interest only payments, payable semi-annually in arrears. The notes has certain financial covenants, which must be maintained on a quarterly basis. The Company was in compliance with the covenants as of December 31, 2023.

As of December 31, 2023, the Company had accrued $nil in interest expense (2022 - $nil). Interest paid on the long-term debt in 2023 was $1,397 (2022 - $1,397).

8. Related party transactions

Due from related parties represents advances for current operating costs and reimbursement for management and accounting services provided by entities related to Liberty Utilities as well as other third party costs incurred by entities related to Liberty Utilities on behalf of the Company. These amounts bear interest on variable rates and have no fixed repayment terms. Total amounts allocated for year ended December 31, 2023 were $6,807 (2022 - $2,832).

Periodically there are advances due to related parties. Such advances bear interest on variable rates and are due on demand. As at December 31, 2023, the amounts payable to related parties total $502,593 (December 31, 2022 - $272,990).

9. Advances in aid of construction

The Company has various agreements with real estate development companies (the "developers") conducting business within the Company's utility service territories, whereby funds are advanced to the Company by the developers to assist with funding some or all of the costs of the development.

In many instances, developer advances can be subject to refund but the refund is non-interest bearing. Refunds of developer advances are made over a period of 10 years. Advances not refunded within the prescribed period are usually not required to be repaid. After the prescribed period has lapsed, any remaining unpaid balance is transferred to contributions in aid of construction and recorded as an offsetting amount to the cost of property, plant and equipment. No amounts were transferred from advances in aid of construction to contributions in aid of construction in 2023 and 2022.

10. Member's capital

The Company is a single member limited liability corporation. As of December 31, 2023, all outstanding equity membership units of the Company are owned by Liberty Utilities.

11. Commitments and contingencies

(a) Contingencies

The Company is involved in various litigation arising out of the ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider the Company's exposure to such litigation to be material to these consolidated financial statements. Accruals for any contingencies related to these items, if any, are recorded in the consolidated financial statements at the time it is concluded that its occurrence is probable and the related liability is estimable.

Mountain View fire

On November 17, 2020, a wildfire now known as the Mountain View Fire occurred in the territory of Liberty Utilities (CalPeco Electric) LLC ("Liberty CalPeco"). The cause of the fire remains under investigation, and CAL FIRE has not yet released its final report. There are currently 21 active lawsuits that name certain subsidiaries of the Company as defendants in connection with the Mountain View Fire, as well as one non-litigation claim brought by the U.S. Department of Agriculture seeking reimbursement for alleged fire suppression costs. Fourteen lawsuits are brought by groups of individual plaintiffs alleging causes of action including negligence, inverse condemnation, nuisance, trespass, and violations of Cal. Pub. Util. Code 2106 and Cal. Health and Safety Code 13007 (one of these 14 lawsuits also alleges the wrongful death of an individual and various subrogation claims on behalf of insurance companies). On March 6, 2024, a trial commenced in Los Angeles County Superior Court on four bellwether cases with respect to inverse condemnation liability only. If the Company's subsidiaries were found liable in those cases, the damages, if any, would not be determined at this trial. On March 7, 2024, the trial was stayed pending the adjudication of Liberty CalPeco's motion to disqualify the judge. In another lawsuit, County of Mono, Antelope Valley Fire Protection District and Bridgeport Indian Colony allege similar causes of action and seek damages for fire suppression costs, law enforcement costs, property and infrastructure damage, and other costs. In six other lawsuits, insurance companies allege inverse condemnation and negligence and seek recovery of amounts paid and to be paid to their insureds. The likelihood of success in these lawsuits is uncertain.

(in thousands of U.S. dollars)

11. Commitments and contingencies (continued)

In 2023, Liberty CalPeco accrued estimated losses of $66,000 for claims related to the Mountain View Fire, against which Liberty CalPeco has recorded expected recoveries from insurance of $66,000 as part of other assets. The resulting net charge to earnings was $nil. The estimate of losses is subject to change as additional information becomes available. The actual amount of losses may be higher or lower than these estimates. While the Company may incur a material loss in excess of the amount accrued, the Company cannot estimate the upper end of the range of reasonably possible losses that may be incurred. The Company has wildfire liability insurance that is expected to apply up to applicable policy limits.

(b) Commitments

The Company has a purchase commitment to purchase physical quantities of power for load serving requirements. The commitment amounts included in the table below are based on market prices as of December 31, 2023. However, the effects of purchased power unit cost adjustments are mitigated through a purchased power rate-adjustment mechanism.

	2024	2025
Power purchases	$ 21,795	$ 21,795

12. Non-cash operating items

The changes in non-cash operating items consist of the following:

	2023	2022
Accounts receivable	**$ (5,574)**	$ (2,345)
Prepaid expenses and other	**(4,850)**	(3,780)
Supplies and consumables inventory	**(3,100)**	(2,486)
Accounts payable and accrued liabilities	**(1,447)**	7,230
Due to related parties	**123,259**	79,289
Net regulatory assets and liabilities	**(48,812)**	(52,653)
	$ 59,476	$ 25,255

13. Redeemable non-controlling interests

Non-controlling interests in subsidiaries that are redeemable upon the occurrence of uncertain events not solely within the Company's control are classified as temporary equity on the consolidated balance sheets. The redeemable non-controlling interests in subsidiaries' balance are determined using the HLBV method subsequent to initial recognition, however, if the redemption amount is probable or currently redeemable, the Company records the instruments at their redemption value. Redemption is not considered probable as of December 31, 2023.

	2023	2022
Opening balance	**$ 6,502**	$ 12,986
Net earnings attributable to redeemable non-controlling interest	**(1,324)**	(6,298)
Dividends declared to redeemable non-controlling interest	**(3,769)**	(186)
Closing balance	**$ 1,409**	$ 6,502

(in thousands of U.S. dollars)

14. Financial instruments

(a) Fair value of financial instruments

	December 31, 2023		December 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt	**$ 24,947**	**$ 24,995**	$ 24,920	$ 29,293

The Company has determined that the carrying value of its short-term financial assets and liabilities approximates fair value as of December 31, 2023 and 2022 due to the short-term maturity of these instruments.

Long-term debt (level 2 inputs) is at fixed interest rates. The estimated fair value is calculated using a discounted cash flow method and current interest rates.

Advances in aid of construction has a carrying value of $21,808 as of December 31, 2023 (2022 - $20,978). Portions of these non-interest bearing instruments are payable annually through 2027, including new customer connections, customer consumption levels, and future rate increase. However, amounts not paid by the contract expiration date become nonrefundable. Their relative fair values cannot be accurately estimated because future refund payments depend on several variables. The fair value of these amounts would be less than their carrying value due to the non-interest bearing feature.

Fair value estimates are made at a specific point in time, using available information about the financial instrument. These estimates are subjective in nature and often cannot be determined with precision.

(b) Risk management

In the normal course of business, the Company is exposed to financial risks that potentially impact its operating results. The Company employs risk management strategies with a view of mitigating these risks to the extent possible on a cost effective basis.

This note provides disclosures relating to the nature and extent of the Company's exposure to risks arising from financial instruments, including credit risk and liquidity risk, and how the Company manages those risks.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash and cash equivalents and accounts receivable. The Company limits its exposure to credit risk with respect to cash equivalents by ensuring available cash is deposited with its senior lenders, all of which have a credit rating of A or better.

Credit risk related to the accounts receivable balance of $25,577 is spread over thousands of customers. The Company has processes in place to monitor and evaluate this risk on an ongoing basis including background credit checks and security deposits from new customers. In addition, the Regulator allows for a reasonable bad debt expense to be incorporated in the rates and therefore recovered from rate payers.

As of December 31, 2023, the Company's maximum exposure to credit risk for these financial instruments was as follows:

(in thousands of U.S. dollars)

14. Financial instruments (continued)

(c) Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, to the extent possible, that it will always have sufficient liquidity to meet liabilities when due. The Company's liabilities mature as follows:

	Due less than 1 year	Due 2–3 years	Due 4–5 years	Due after 5 years	Total
Long-term debt	$ —	$ 24,947	$ —	$ —	$ 24,947
Advances in aid of construction	—	—	—	21,808	21,808
Purchase obligations	530,833	—	—	—	530,833
Interest on long-term debt	1,397	1,398	—	—	2,795
Other obligations	1,878	—	—	—	1,878
Total obligations	**$ 534,108**	**$ 26,345**	**$ —**	**$ 21,808**	**$ 582,261**

	2023
Cash and cash equivalents	**$ 1,466**
Accounts receivable	**26,391**
Allowance for doubtful accounts	**(814)**
	$ 27,043

15. Comparative figures

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted in the current period.

16. Subsequent events

The Company has evaluated subsequent events from the consolidated balance sheet date through April 29, 2024.

Unaudited Interim Condensed Consolidated Financial Statements of

Liberty Utilities (CalPeco Electric) LLC

For the six months ended June 30, 2024 and 2023

Liberty Utilities (Calpeco Electric) LLC
Unaudited Interim Condensed Consolidated Statements of Comprehensive Income

(thousands of U.S. dollars)		Six months ended June 30, 2024		2023
Revenue				
Residential	**$**	**40,152**	$	28,334
Commercial		**37,816**		66,607
Other		**5,523**		5,962
		83,491		100,903
Expenses				
Energy purchased		**22,504**		20,103
Operating costs		**32,484**		46,818
Taxes other than income taxes		**2,151**		2,000
Depreciation of utility plant		**10,347**		8,698
		67,486		77,619
Operating income		**16,005**		23,284
Interest expense		**4,813**		5,374
Pension and post-employment non-service costs (note 4)		**34**		42
Loss on disposal		**42**		16
		4,889		(4,365)
Net earnings	**$**	**11,116**	$	27,649
Net effect of non-controlling interest (note 9)		**(662)**		(662)
Net earnings attributable to the member		**11,778**		28,311
Other comprehensive income:				
Change in unrealized pension and other post-employment benefits (note 4)		**(21)**		(25)
Comprehensive income	**$**	**11,757**	$	28,286

See accompanying notes to unaudited interim condensed consolidated financial statements

Liberty Utilities (Calpeco Electric) LLC
Unaudited Interim Condensed Consolidated Balance Sheets

(thousands of U.S. dollars)	**June 30, 2024**	December 31, 2023
ASSETS		
Utility plant		
Utility plant in service	**$ 685,907**	$ 633,571
Less: accumulated depreciation	**(93,761)**	(84,116)
	592,146	549,455
Construction work-in-progress	**29,246**	59,789
Utility plant, net	**621,392**	609,244
Goodwill	**10,381**	10,381
Regulatory assets (note 3)	**226,657**	181,768
Other assets	**8,366**	72,060
Current assets		
Cash and cash equivalents	**1,355**	1,466
Supplies and consumables inventory	**15,387**	13,127
Accounts receivable, net (note 2)	**29,062**	25,577
Prepaid expenses and other	**1,830**	14,911
Due from related parties (note 5)	**136,606**	110,132
Regulatory assets (note 3)	**40,166**	16,807
Other current assets (note 7)	**116,001**	—
	340,407	182,020
	$ 1,207,203	$ 1,055,473

See accompanying notes to unaudited interim condensed consolidated financial statements

Liberty Utilities (Calpeco Electric) LLC
Unaudited Interim Condensed Consolidated Balance Sheets

(thousands of U.S dollars)		June 30, 2024		December 31, 2023
LIABILITIES AND MEMBER'S EQUITY				
Member's equity				
Member's capital (note 6)	**$**	**135,780**	$	135,780
Accumulated surplus		**243,453**		231,675
Accumulated other comprehensive loss		**133**		154
Total equity		**379,366**		367,609
Redeemable non-controlling interests (note 9)		**658**		1,409
Long-term debt		**24,960**		24,947
Regulatory liabilities (note 3)		**33,731**		33,384
Pension and other post-employment benefits obligation (note 4)		**1,241**		1,027
Advances in aid of construction		**22,167**		21,808
Asset retirement obligation		**834**		811
Other long term liabilities		**—**		66,000
Current liabilities				
Accounts payable and accrued liabilities		**24,873**		28,240
Customer deposits		**356**		1,878
Regulatory liabilities (note 3)		**3,037**		5,718
Other post-employment benefit obligation (note 4)		**49**		49
Other short term liabilities (note 7)		**187,182**		—
Due to related parties (note 5)		**528,749**		502,593
		744,246		538,478
Commitments and contingencies (note 7)				
Subsequent events (note 12)				
	$	**1,207,203**	$	1,055,473

See accompanying notes to unaudited interim condensed consolidated financial statements

Liberty Utilities (Calpeco Electric) LLC
Unaudited Interim Condensed Consolidated Statements of Changes in Member's Interest

(thousands of U.S. dollars)	Liberty Utilities (Calpeco Electric) LLC Member's capital	 Accumulated surplus	 Accumulated other comprehensive loss	Non-controlling interests	Total
Balance, December 31, 2023	**135,780**	**231,675**	**154**	**—**	**367,609**
Net earnings (loss)	**—**	**11,778**	**—**	**(662)**	**11,116**
Redeemable non-controlling interests not included in member's equity (note 9)	**—**	**—**	**—**	**662**	**662**
Other comprehensive income	**—**	**—**	**(21)**	**—**	**(21)**
Balance, June 30, 2024	**$ 135,780**	**$ 243,453**	**$ 133**	**$ —**	**$ 379,366**

(thousands of U.S. dollars)	Liberty Utilities (Calpeco Electric) LLC Member's capital	 Accumulated surplus	 Accumulated other comprehensive loss	Non-controlling interests	Total
Balance, December 31, 2022	135,780	195,990	102	—	331,872
Net earnings (loss)	—	28,311	—	(662)	27,649
Redeemable non-controlling interests not included in member's equity (note 9)	—	—	—	662	662
Other comprehensive income (loss)	—	—	(25)	—	(25)
Balance, June 30, 2023	$ 135,780	$ 224,301	$ 77	$ —	$ 360,158

See accompanying notes to unaudited interim condensed consolidated financial statements

Liberty Utilities (Calpeco Electric) LLC
Unaudited Interim Condensed Consolidated Statements of Cash Flow

(thousands of U.S. dollars)

		Six months ended June 30, 2024		2023
Cash provided by (used in):				
Operating Activities				
Net earnings	$	**11,116**	$	27,649
Items not affecting cash:				
Depreciation of utility plant		**10,347**		8,698
Cost of equity funds used for construction purposes		**(81)**		(73)
Pension and post-employment contributions in excess of expense		**185**		388
Write down of assets		**(200)**		(981)
Changes in non-cash operating items (note 8)		**4,180**		(4,240)
		25,547		31,441
Financing Activities				
Distributions paid to non-controlling interests (note 9)		**—**		(375)
Increase in advances in aid of construction		**482**		311
		482		(64)
Investing Activities				
Additions to utility plant		**(26,141)**		(31,040)
Decrease (increase) in other assets		**—**		(16)
		(26,141)		(31,056)
Decrease in cash and cash equivalents		**(112)**		321
Cash and cash equivalents, beginning of period		**1,467**		2,083
Cash and cash equivalents, end of period	$	**1,355**	$	2,404

Supplemental disclosure of cash flow information:		2024		2023
Non-cash transactions: Utility plant in accruals	$	**2,049**	$	2,532

See accompanying notes to unaudited interim condensed consolidated financial statements

Liberty Utilities (CalPeco Electric) LLC (the “Company”) is a limited liability company organized on April 14, 2009 under the laws of California. The Company is in the business of providing regulated electric distribution service to approximately 50,000 customers in the Lake Tahoe region of California.

The Company is 100% owned by Liberty Utilities Co. (“Liberty Utilities”).

1. Significant accounting policies

(a) Basis of preparation

The accompanying unaudited interim condensed consolidated financial statements and notes have been prepared in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”) for interim financial information and follow disclosure required under Regulation S-X provided by the U.S. Securities and Exchange Commission (“SEC”). Accordingly, these unaudited interim condensed consolidated financial statements do not include all information and notes required by U.S. GAAP for annual financial statements and should be read in conjunction with the consolidated financial statements of the Company as of and for the year ended December 31, 2023.

In the opinion of management, the unaudited interim condensed consolidated financial statements include all adjustments that are of a recurring nature and necessary for a fair presentation of the results of interim operations.

The significant accounting policies applied to these unaudited interim condensed consolidated financial statements of the Company are consistent with those disclosed in the consolidated financial statements of the Company for the year ended December 31, 2023.

(b) Accounting for rate-regulated operations

The Company is subject to rate regulation overseen by the public utility commission in California (the “Regulator”). The Regulator provides the final determination of the rates charged to customers. The company is accounted for under the principles of U.S. Financial Accounting Standards Board ("FASB") ASC Topic 980, Regulated Operations (“ASC 980”). Under ASC 980, regulatory assets and liabilities are recorded to the extent that they represent probable future revenue or expenses associated with certain charges or credits that will be recovered from or refunded to customers through the rate making process. Included in note 3, "Regulatory matters" are details of regulatory assets and liabilities, and their current regulatory treatment.

In the event the Company determines that its net regulatory assets are not probable of recovery, it would no longer apply the principles of the current accounting guidance for rate regulated enterprises and would be required to record an after-tax, non-cash charge or credit against earnings for any remaining regulatory assets or liabilities. The impact could be material to the Company’s reported financial condition and results of operations.

The Company's accounts are maintained in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission ("FERC").

2. Accounts receivable

Accounts receivable as of June 30, 2024, include unbilled revenue of $5,581 (December 31, 2023 - $9,568). Accounts receivable as of June 30, 2024 are presented net of allowance for doubtful accounts of $2,005 (December 31, 2023 - $814).

(in thousands of U.S. dollars)

3. Regulatory matters

The Company is subject to rate regulation by the California Public Utilities Commission ("CPUC"), and the FERC in some instances. The CPUC has jurisdiction with respect to rate, service, accounting procedures, issuance of securities, acquisitions and other matters. The Company operates under cost-of-service regulation as administered by the CPUC. The Company uses a test year in the establishment of its rates and pursuant to this method, the determination of the rate of return on approved rate base and deemed capital structure, together with all reasonable and prudent costs, establishes the revenue requirement upon which the Company's customer rates are determined.

Regulatory assets and liabilities consist of the following:

	June 30, 2024	December 31, 2023
Regulatory assets		
Rate adjustment mechanism	$ **57,170**	$ 71,632
Wildfire mitigation and vegetation management	**145,464**	63,656
Storm costs	**9,986**	9,986
Rate review costs	**416**	1,082
Energy cost adjustment clause	**44,816**	45,118
Other	**8,971**	7,101
Total regulatory assets	$ **266,823**	$ 198,575
Less: current regulatory assets	**(40,166)**	(16,807)
Non-current regulatory assets	$ **226,657**	$ 181,768
Regulatory liabilities		
Cost of removal	$ **27,839**	$ 27,624
Income taxes	**3,937**	3,990
Other	**4,992**	7,488
Total regulatory liabilities	$ **36,768**	$ 39,102
Less: current regulatory liabilities	**(3,037)**	(5,718)
Non-current regulatory liabilities	$ **33,731**	$ 33,384

(in thousands of U.S. dollars)

4. Pension and other post-employment benefits obligation

	Pension benefits Six months ended June 30,		OPEB Six months ended June 30,	
	2024	**2023**	**2024**	**2023**
Service cost	**$ 397**	$ 324	**$ 14**	$ 22
Non-service costs				
Interest cost	**185**	169	**28**	32
Expected return on plan assets	**(151)**	(124)	**—**	—
	34	45	**28**	32
Net benefit cost	**$ 431**	$ 369	**$ 42**	$ 54

5. Related party transactions

Due from related parties represents advances for current operating costs and reimbursement for management and accounting services provided by entities related to Liberty Utilities as well as other third party costs incurred by entities related to Liberty Utilities on behalf of the Company. These amounts bear interest on variable rates and have no fixed repayment terms. Total amounts allocated for six months ended June 30, 2024, were $3,580 (June 30, 2023 - $1,478).

Periodically there are advances due to and from related parties. Such advances bear interest on variable rates and are due on demand. As at June 30, 2024, the amounts payable to related parties total $528,749 (December 31, 2023 - $502,593).

6. Member’s capital

The Company is a single member limited liability corporation. As of June 30, 2024, all outstanding equity membership units of the Company belong to Liberty Utilities.

(in thousands of U.S. dollars)

7. Commitments and contingencies

(a) Contingencies

The Company is involved in various litigation arising out of the ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider the Company's exposure to such litigation to be material to these consolidated financial statements. Accruals for any contingencies related to these items, if any, are recorded in the consolidated financial statements at the time it is concluded that its occurrence is probable and the related liability is estimable.

Mountain View Fire

On November 17, 2020, a wildfire now known as the Mountain View Fire occurred in the territory of Liberty Utilities (CalPeco Electric) LLC ("Liberty CalPeco"). The cause of the fire remains under investigation, and CAL FIRE has not yet released its final report. There are currently 22 lawsuits that name certain subsidiaries of the Company as defendants in connection with the Mountain View Fire, as well as a non-litigation claim brought by the U.S. Department of Agriculture seeking reimbursement for alleged fire suppression costs and a notice from the U.S. Bureau of Land Management seeking damages for the alleged burning of public lands without authorization. Fifteen lawsuits are brought by groups of individual plaintiffs alleging causes of action including negligence, inverse condemnation, nuisance, trespass, and violations of Cal. Pub. Util. Code 2106 and Cal. Health and Safety Code 13007 (one of these 15 lawsuits also alleges the wrongful death of an individual and various subrogation claims on behalf of insurance companies). On March 6, 2024, a trial commenced in Los Angeles County Superior Court on four bellwether cases with respect to inverse condemnation liability only; the trial has been stayed until August 12, 2024. If the Company's subsidiaries were found liable in those cases, the damages, if any, would not be determined at this trial. In another lawsuit, County of Mono, Antelope Valley Fire Protection District, and Bridgeport Indian Colony allege similar causes of action and seek damages for fire suppression costs, law enforcement costs, property and infrastructure damage, and other costs. In six other lawsuits, insurance companies allege inverse condemnation and negligence and seek recovery of amounts paid and to be paid to their insureds. The likelihood of success in these lawsuits is uncertain. Liberty CalPeco intends to vigorously defend them. The Company accrued estimated losses of $187,182 for claims related to the Mountain View Fire, against which Liberty CalPeco has recorded expected recoveries through insurance of $116,001 and the WEMA of $56,282. The resulting net charge to earnings was $nil. The estimate of losses is subject to change as additional information becomes available. The actual amount of losses may be higher or lower than these estimates. While the Company may incur a material loss in excess of the amount accrued, the Company cannot estimate the upper end of the range of reasonably possible losses that may be incurred. The Company has wildfire liability insurance that is expected to apply up to applicable policy limits.

(b) Commitments

The Company has a purchase commitment to purchase physical quantities of power for load serving requirements. The commitment amounts included in the table below are based on market prices as of June 30, 2024. However, the effects of purchased power unit cost adjustments are mitigated through a purchased power rate-adjustment mechanism.

	2024	2025
Power purchases	$ 28,164	$ 13,659

(in thousands of U.S. dollars)

8. Non-cash operating items

The changes in non-cash operating items consist of the following:

	Six months ended June 30, 2024	Six months ended June 30, 2023
Accounts receivable	**$ (3,485)**	$ 8,765
Prepaid expenses and other	**13,081**	9,106
Supplies and consumables inventory	**(2,261)**	(5,426)
Accounts payable and accrued liabilities	**(3,616)**	(12,860)
Due to related parties	**1,954**	34,335
Net regulatory assets and liabilities	**(1,493)**	(38,160)
	$ 4,180	$ (4,240)

9. Redeemable non-controlling interests

Non-controlling interests in subsidiaries that are redeemable upon the occurrence of uncertain events not solely within the Company's control are classified as temporary equity on the consolidated balance sheets. The redeemable non-controlling interests in subsidiaries' balance are determined using the HLBV method subsequent to initial recognition, however, if the redemption amount is probable or currently redeemable, the Company records the instruments at their redemption value. Redemption is not considered probable as of June 30, 2024.

	Six months ended June 30, 2024	Six months ended June 30, 2023
Opening balance	**$ 1,409**	$ 6,505
Net earnings attributable to redeemable non-controlling interest	**(662)**	(4,252)
Dividends declared to redeemable non-controlling interest	**(89)**	(464)
Closing balance	**$ 658**	$ 1,789

(in thousands of U.S. dollars)

10. Financial instruments

(a) Fair value of financial instruments

	June 30, 2024		December 31, 2023	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Long-term debt	**$ 24,960**	$ 24,820	**$ 24,947**	$ 24,995

The Company has determined that the carrying value of its short-term financial assets and liabilities approximates fair value as of June 30, 2024 and Dec 31, 2023 due to the short-term maturity of these instruments.

Long-term debt (level 2 inputs) is at fixed interest rates. The estimated fair value is calculated using a discounted cash flow method and current interest rates.

Advances in aid of construction has a carrying value of $22,167 as of June 30, 2024 (December 31, 2023 - $21,808). Portions of these non-interest bearing instruments are payable annually through 2027, including new customer connections, customer consumption levels, and future rate increase. However, amounts not paid by the contract expiration date become nonrefundable. Their relative fair values cannot be accurately estimated because future refund payments depend on several variables. The fair value of these amounts would be less than their carrying value due to the non-interest bearing feature.

Fair value estimates are made at a specific point in time, using available information about the financial instrument. These estimates are subjective in nature and often cannot be determined with precision.

The Company's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There was no transfer into or out of Level 1, Level 2, or Level 3 during the Six months ended June 30, 2024 and 2023.

11. Comparative figures

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted in the current period.

12. Subsequent events

The Company has evaluated other subsequent events from the unaudited interim condensed consolidated balance sheet date through August 9, 2024, the date at which the unaudited interim condensed consolidated financial statements were available to be issued, and determined that there are no other items to be disclosed.

Exhibit B

Projected Cash Requirements

Liberty Utilities (CalPeco Electric) LLC. Consolidated Forecast 2024-2028	2024	2025	2026	2027
Income Statement				
Gross Revenue	150,024,952	226,207,294	242,568,051	254,448,051
Energy Costs	(30,370,961)	(44,171,900)	(44,171,900)	(44,171,900)
Net Revenue	119,653,990	182,035,394	198,396,151	210,276,151
Operating Expenses	(55,718,536)	(103,831,912)	(113,378,064)	(118,304,852)
EBITDA	**63,935,454**	**78,203,482**	**85,018,087**	**91,971,299**
Depreciation	(14,582,134)	(27,132,633)	(30,113,536)	(32,864,186)
Interest Expense (including forecasted intercompany)	(26,873,539)	(27,156,243)	(29,410,315)	(30,119,469)
Net Earnings	**23,803,740**	**23,914,606**	**25,494,235**	**28,987,644**
Cash Flows				
Net Earnings	23,803,740	23,914,606	25,494,235	28,987,644
Deprecation & Amortization	14,582,134	27,132,633	30,113,536	32,864,186
Other Non-cash items	(1,323,958)	-	-	-
Change in Net Reg assets	(86,282,000)	-	-	-
Cash From Operating Activities	**(49,220,084)**	**51,047,239**	**55,607,771**	**61,851,830**
External Debt Repayments	-	(24,947,000)	-	-
New Debt Issuances		360,000,000	65,000,000	70,000,000
Equity Contributions from Parent		30,000,000	50,000,000	55,000,000
Dividends	-	(14,348,764)	(15,296,541)	(17,392,586)
Cash From Financing Activities	**-**	**350,704,236**	**99,703,459**	**107,607,414**
CapEx	(51,981,000)	(90,000,658)	(91,280,004)	(80,403,596)
(Increase)/Decrease in Intercompany Borrowings	**(101,201,084)**	**311,750,817**	**64,031,226**	**89,055,648**

Balance Sheet	2024	2025	2026	2027
ASSETS				
Utility plants				
Utility plants, net	646,642,866	709,510,892	770,677,359	818,216,769
Goodwill	10,381,000	10,381,000	10,381,000	10,381,000
Regulatory assets - non-current	238,050,000	238,050,000	238,050,000	238,050,000
Other non current assets	6,060,000	6,060,000	6,060,000	6,060,000
Current assets				
Cash and cash equivalents	1,466,000	1,466,000	1,466,000	1,466,000
Accounts receivable	25,577,000	25,577,000	25,577,000	25,577,000
Regulatory assets - current	16,807,000	16,807,000	16,807,000	16,807,000
Prepaid expenses	14,911,000	14,911,000	14,911,000	14,911,000
Due from Related Parties	110,132,000	110,132,000	110,132,000	110,132,000
Other current assets/Supplies and Consumable inventory & income tax receivable	13,127,000	13,127,000	13,127,000	13,127,000
Total Assets	1,083,153,866	1,146,021,892	1,207,188,359	1,254,727,769
LIABILITIES AND EQUITY				
Shareholder's equity				
Common shares	135,780,000	165,780,000	215,780,000	270,780,000
Retained earnings	255,478,740	265,044,582	275,242,276	286,837,334
Accumulated other comprehensive loss	154,000	154,000	154,000	154,000
Total shareholder's equity	391,412,740	404,925,504	473,885,677	545,897,638
Long-term debt	24,947,000	360,000,000	425,000,000	495,000,000
Regulatory liabilities	33,384,000	33,384,000	33,384,000	33,384,000
Pension and other post-employment benefits	1,027,000	1,027,000	1,027,000	1,027,000
Advances in aid of construction	21,808,000	21,808,000	21,808,000	21,808,000
Asset retirement obligation	811,000	811,000	811,000	811,000
Current liabilities				
Accounts Payable and Accrued Liabilities	28,240,000	28,240,000	28,240,000	28,240,000
Regulatory liabilities	5,718,000	5,718,000	5,718,000	5,718,000
Other deferred credits	(28,122,000)	(28,122,000)	(28,122,000)	(28,122,000)
Other liabilities	49,000	49,000	49,000	49,000
Due to related parties	603,794,084	292,043,267	228,012,041	138,956,393
Total Liabilities and Equity	1,083,153,866	1,146,021,892	1,207,188,359	1,254,727,769

SUMMARY	2024	2025	2026	2027
Long-term Debt	24,947,000	360,000,000	425,000,000	495,000,000
Equity	391,412,740	430,978,582	491,176,276	557,771,334
Less: Goodwill	(10,381,000)	(10,381,000)	(10,381,000)	(10,381,000)
Adjusted Equity	381,031,740	420,597,582	480,795,276	547,390,334
Adjusted Capital	405,978,740	780,597,582	905,795,276	1,042,390,334
Debt %				**47.5%**
Equity %				**52.5%**

Exhibit C

Liberty Utilities (CalPeco Electric), LLC Articles of Organization

State of California
Secretary of State

FILED JB/LIA
Secretary of State
State of California
JUL 15 2013

LIMITED LIABILITY COMPANY CERTIFICATE OF AMENDMENT

A $30.00 filing fee must accompany this form.

IMPORTANT – Read instructions before completing this form.

IPC This Space For Filing Use Only

1. SECRETARY OF STATE FILE NUMBER	2. NAME OF LIMITED LIABILITY COMPANY
200910410277	CALIFORNIA PACIFIC ELECTRIC COMPANY, LLC

3. COMPLETE ONLY THE SECTIONS WHERE INFORMATION IS BEING CHANGED. ADDITIONAL PAGES MAY BE ATTACHED IF NECESSARY.

A. LIMITED LIABILITY COMPANY NAME (END THE NAME WITH THE WORDS "LIMITED LIABILITY COMPANY," "LTD. LIABILITY CO." OR THE ABBREVIATIONS "LLC" OR "L.L.C.")

Liberty Utilities (CalPeco Electric) LLC

B. THE LIMITED LIABILITY COMPANY WILL BE MANAGED BY (CHECK ONE):

☐ ONE MANAGER
☐ MORE THAN ONE MANAGER
☐ ALL LIMITED LIABILITY COMPANY MEMBER(S)

C. AMENDMENT TO TEXT OF THE ARTICLES OF ORGANIZATION:

D. OTHER MATTERS TO BE INCLUDED IN THIS CERTIFICATE MAY BE SET FORTH ON SEPARATE ATTACHED PAGES AND ARE MADE A PART OF THIS CERTIFICATE. OTHER MATTERS MAY INCLUDE A CHANGE IN THE LATEST DATE ON WHICH THE LIMITED LIABILITY COMPANY IS TO DISSOLVE OR ANY CHANGE IN THE EVENTS THAT WILL CAUSE THE DISSOLUTION.

4. FUTURE EFFECTIVE DATE, IF ANY: MONTH DAY YEAR

5. NUMBER OF PAGES ATTACHED, IF ANY:

6. IT IS HEREBY DECLARED THAT I AM THE PERSON WHO EXECUTED THIS INSTRUMENT, WHICH EXECUTION IS MY ACT AND DEED.

[signature] July 9, 2013

SIGNATURE OF AUTHORIZED PERSON DATE

Ian Robertson, Manager

TYPE OR PRINT NAME AND TITLE OF AUTHORIZED PERSON

7. RETURN TO:

NAME
FIRM
ADDRESS
CITY/STATE
ZIP CODE

State of California
Secretary of State

I, DEBRA BOWEN, Secretary of State of the State of California, hereby certify:

That the attached transcript of 1 page(s) has been compared with the record on file in this office, of which it purports to be a copy, and that it is full, true and correct.

IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California this day of

APR 14 2009

DEBRA BOWEN
Secretary of State

20091041027 7

State of California
Secretary of State

LLC-1

File # ______

ENDORSED - FILED
in the office of the Secretary of State
of the State of California

APR 14 2009

LIMITED LIABILITY COMPANY
ARTICLES OF ORGANIZATION

A $70.00 filing fee must accompany this form.

IMPORTANT – Read instructions before completing this form.

This Space For Filing Use Only

ENTITY NAME (End the name with the words "Limited Liability Company," or the abbreviations "LLC" or "L.L.C." The words "Limited" and "Company" may be abbreviated to "Ltd." and "Co.," respectively.)

1. NAME OF LIMITED LIABILITY COMPANY
California Pacific Electric Company, LLC

PURPOSE (The following statement is required by statute and should not be altered.)

2. THE PURPOSE OF THE LIMITED LIABILITY COMPANY IS TO ENGAGE IN ANY LAWFUL ACT OR ACTIVITY FOR WHICH A LIMITED LIABILITY COMPANY MAY BE ORGANIZED UNDER THE BEVERLY-KILLEA LIMITED LIABILITY COMPANY ACT.

INITIAL AGENT FOR SERVICE OF PROCESS (If the agent is an individual, the agent must reside in California and both Items 3 and 4 must be completed. If the agent is a corporation, the agent must have on file with the California Secretary of State a certificate pursuant to Corporations Code section 1505 and Item 3 must be completed (leave Item 4 blank).

3. NAME OF INITIAL AGENT FOR SERVICE OF PROCESS
C T Corporation System

4. IF AN INDIVIDUAL, ADDRESS OF INITIAL AGENT FOR SERVICE OF PROCESS IN CALIFORNIA | CITY | STATE | ZIP CODE
CA

MANAGEMENT (Check only one)

5. THE LIMITED LIABILITY COMPANY WILL BE MANAGED BY:

☐ ONE MANAGER

☐ MORE THAN ONE MANAGER

☑ ALL LIMITED LIABILITY COMPANY MEMBER(S)

ADDITIONAL INFORMATION

6. ADDITIONAL INFORMATION SET FORTH ON THE ATTACHED PAGES, IF ANY, IS INCORPORATED HEREIN BY THIS REFERENCE AND MADE A PART OF THIS CERTIFICATE.

EXECUTION

7. I DECLARE I AM THE PERSON WHO EXECUTED THIS INSTRUMENT, WHICH EXECUTION IS MY ACT AND DEED.

April 13, 2009
DATE

SIGNATURE OF ORGANIZER

Ian Robertson
TYPE OR PRINT NAME OF ORGANIZER

OFFICE OF THE SECRETARY OF STATE